2000 Annual Report

Universities Academic Pension Plan

101-07198

Profile

The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre for Continuing Education.

- The UAPP has 4,800 active members, 440 deferred members and 2,350 pensioners.
- The UAPP Fund was valued at $1.82 billion at the end of 2000.
- The Provincial Treasurer was the Trustee of the Plan until December 31, 2000. The UAPP Board of Trustees, as established under the Sponsorship and Trust Agreement, became the Trustee of the UAPP as of January 1, 2001.
- On behalf of the Board of Trustees, Alberta Pensions Administration (APA) provides plan administration services and the Investment Management Division (IMD) of Alberta Treasury manages the UAPP Fund's investments.

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Italicized pension and investment terms are defined in the Glossary.

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Message from the Chair

The year 2000 was one of transition for UAPP. Self-governance and alignment of benefits with the requirements of the *Employment Pension Plans Act* (EPPA) were achieved.

UAPP moved outside the *Public Sector Pension Plans Act* and became an independent plan registered under the EPPA as of January 1, 2001. This concluded three years of hard work by the representatives of the boards of governors and the academic staff associations who are Sponsors of the independent UAPP. This successful transition places the authority for making decisions about the UAPP in the hands of those who bear the responsibility for the consequences of those decisions. This alignment of authority with responsibility is basic to sound governance of the Plan. We congratulate and thank Gary Frey, Dan Furgason, Bill Gaudette, Ted Horbulyk, Michael Kubara, Stuart McKinnon, Mel McMillan, Allan Pedden, Duncan Robertson, Anne Stalker, Nancy Walker, Wanda Wetterberg and Arlene Young, who as Transition Team members, and Diane Albrecht, Allan Bon Bernard, Lesley Bowering and Don Kozak, who as resource persons, were essential to this successful effort.

We also thank the Provincial Treasurer, Dr. Steve West, and his officials for their support and cooperation in enabling us to complete the transition in a timely way.

The new Sponsorship and Trust Agreement protects the interests of all stakeholders and embodies sound governance principles by clearly delineating the roles of Sponsors and Trustees of the Plan. Under the independent Plan, the Trustees, who are appointed by the Sponsors, will have the responsibility for administering the Plan and managing the investments of the Plan's funds, while the Sponsors are responsible for Plan design and funding policy.

The Board considered and recommended to Plan Sponsors the benefit changes necessary to bring the UAPP provisions in line with the EPPA's requirements and extend coverage to same-sex spouses.

I am pleased to report that the new UAPP incorporates these and other improvements as of January 1, 2001. These are a good first set of changes to the Plan. As we go forward, the Trustees will continue to assess the Plan in terms of Plan Sponsors' objectives and members' needs and recommend changes where appropriate for the Sponsors' consideration.

The UAPP Fund's investment return was 5.9% last year. This is 1.35% below the assumed valuation rate of 7.25%. However, when combined with the 1999 return of 15.7%, the Fund's 10.7% per year return for the two years ending December 31, 2000 was $117 million ahead of the return assumed in the 1998 Actuarial Valuation. The return was 3.3% below the median return of the Frank Russell Survey, which we now use for comparison purposes. Over the last two years, our return was the same as the Frank Russell median. The below average return in 2000 was primarily because the Board's asset allocation policy provides for a lesser allocation to Canadian equities and a greater allocation to non-Canadian equities than does the average plan. We believe in the longer term, this will result in a higher return with lower risk. The Frank Russell Canadian equities median was up 12.94% while the world equity median was down 5.9% in the year 2000.

Ron Bercov, Chair

To establish the financial position of the Plan and meet regulatory requirements, the Board commissioned a full Actuarial Valuation of the Plan as of December 31, 2000. The results of this valuation show that the Plan's overall funded status had improved to 94% from about 90% since the last valuation at December 31, 1998.

The Plan had a surplus of $54 million for post-1991 service. This service is entirely funded by employers and employees. In terms of pre-1992 service, the Plan had an unfunded liability of $160 million. Of this amount, the present value of the government's obligation is $144 million. Since, as of December 31, 2000, the

employers and employees need to fund $16 million of the pre-92 unfunded liability and had a surplus of $54 million on post-1991 service, it is now appropriate for Plan Sponsors, with the help of Trustees, to formalize a surplus utilization policy.

Based on recommendations of its Investment Committee, the Board approved changes to the Statement of Investment Policies and Goals. We further increased our allocation to real return bonds and foreign equity. These changes in policy are expected to increase the long-term return while reducing the volatility of returns. The changes are to be phased-in over a two-year period with a review after the first year.

Effective Administrative Services are essential to day-to-day operations of any pension plan, and the technology underlying those operations is a key determinant of the quality of service that can be provided to Plan members. During the last year, the Board and its Administration Committee spent considerable time assessing the merits of participating in APEX, a multi-year systems project proposed by Alberta Pensions Administration. The Administrative Services Committee also retained consultants to advise on Administrative Services Delivery Options available to the UAPP. The consultants obtained Plan Sponsors' views during the course of their report. After a thorough consideration of all the factors involved, the Board, on the recommendation of its Administration Committee, unanimously decided not to participate in APEX and, instead, resolved to seek a Third Party Administrator in the open, competitive market. This should result in better service to members at a lower cost.

In order to keep members and other stakeholders better informed, the UAPP has revamped its Web site www.uapp.ca. The Web site provides extensive information on the UAPP in a user-friendly manner. It will be updated regularly. We ask all persons interested in the UAPP to use the Web site and provide feedback that will help us improve the site.

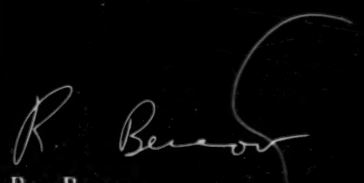
The year 2000 also saw changes in the Board's membership. We were pleased to welcome Lloyd Malin and Art Nutt in November 2000, and Mary Hofstetter in February 2001 to the Board of Trustees. The contributions made by Glenn Harris and Allan Pedden, who left the Board in 2000, are much appreciated.

In February 2000, we appointed our first Executive Director, Virendra Gupta. We are indeed fortunate to have his energetic and capable leadership at this important time in the evolution of our Plan.

On behalf of the UAPP, I would also like to acknowledge Allan Bon Bernard, Jim Millard and Liz Doughty who served for several years in the capacities of Transition Manager, Board Secretary and Board Recording Secretary respectively before leaving us at the end of 2000. Allan played a pivotal role in coordinating the transition process, while Jim and Liz were central to the Board's operations. I want to express our heartfelt thanks to them. Thanks are also due to Laurence Waring and Kirby O'Connor of IMD for their active assistance in investment matters. We also want to acknowledge the cooperation of APA and IMD in responding to the Board's requests on various matters.

I wish also to express my appreciation to my colleagues on the Board for their cooperation and dedication to the UAPP. The members are well served by their efforts.

Now that we have our independence, we have the opportunity to improve our Plan in a number of important ways. I look forward to the next year or two with enthusiasm.



Ron Bercov
Chair
Universities Academic Pension Plan

Universities Academic Pension Plan Board

Board Structure

The Universities Academic Pension Plan Board oversaw the management of the Plan. The Board had nine members, including four employer nominees, four employee nominees and one Crown nominee. Provincial legislation required that the offices of Chair and Vice-Chair alternate every two years between employer and employee nominees.

Board Responsibilities

The Board was responsible for administration of the Plan, investment of Plan funds, setting contribution rates required to fund the Plan and making recommendations regarding Plan changes for consideration by the Plan Sponsors.

Back row: (left to right)	*Auke Elzinga* *Dan Furgason* *Lloyd Malin* *Ted Horbulyk* *Virendra Gupta*
Front row:	*Mary Hamilton* *Ron Bercov* *Janina Vanderpost*
Missing:	*Allan Pedden* *Keith Winter*

Board Members 2000

Employer Nominees

Auke Elzinga
The University of Lethbridge

Lloyd Malin
The University of Alberta

Allan Pedden
Athabasca University and
The Banff Centre

Keith Winter (Vice-Chair)
The University of Calgary

Employee Nominees

Ron Bercov (Chair)
The University of Alberta

Daniel Furgason
The University of Lethbridge

Mary Hamilton
Athabasca University

Ted Horbulyk
The University of Calgary

Crown Nominee

Janina Vanderpost
Government of Alberta

Executive Director

Virendra Gupta

Investment Report

Investment Policies and Guidelines

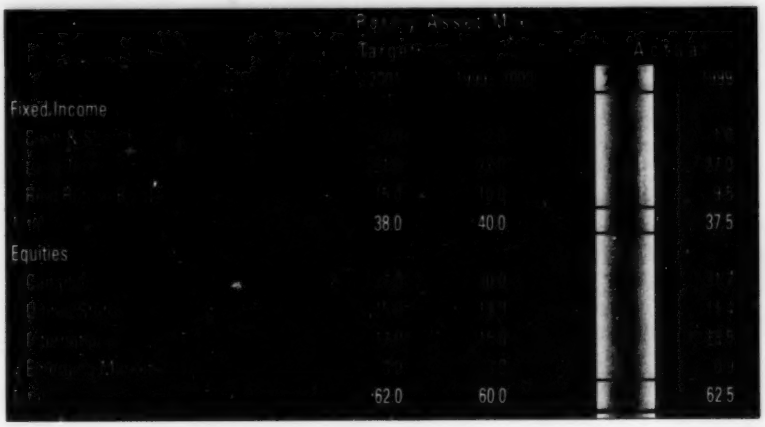
The Plan's overall investment goal is to enhance long-term returns while lowering risk through diversification across asset classes and markets and through quality controls. The exposure to various asset classes and markets is not based on any single year's return expectations, but reflects long-term expectations based on historic performance and relationships among asset classes. However, investments with the greatest growth rate often experience the greatest volatility. A certain level of short-term volatility is therefore tolerated to maintain longer-term growth prospects. This is in recognition of the fact that UAPP is in the business for the long-term.

The Board is responsible for the Statement of Investment Policies and Goals, which, among other things, specifies the benchmark allocation of the Fund to each asset class, such as fixed income (bonds), Canadian equities (stocks) and non-Canadian equities. The investment manager has the authority to vary the allocation to each asset class within the prescribed range. A review of the Statement is undertaken every year and changes are made as necessary.

Investment Policy Review

During the last year, the asset mix policy was reviewed in light of the changes to the foreign property limits established under the Federal *Income Tax Act* and funding requirements of the Plan. The Board moved to increase overall equity exposure of the Plan from 60% to 62%, with a potential move to 65% in 2002. This higher equity allocation is expected to enhance the probability of meeting the growth requirements of the Plan.

Asset Mix (% of Market Value)
as at December 31, 2000



The non-Canadian equity allocation was increased. This will reduce the risk profile of the Plan by increasing the overall diversification of the Plan's equity investments. The Canadian equity market is relatively narrow and concentrated. It has a heavy focus on a few industry groups and a small number of companies account for a large portion of the market's capitalization. Investing outside Canada increases the investment opportunity set and the potential for a more diversified portfolio.

In addition, the Board also fine-tuned the fixed income allocation, increasing the exposure of the Plan to real return bonds. This is also designed to improve the overall risk return trade-off of the Plan.

Investment Benchmarks

Since investment returns play a crucial role in the ability of a pension plan to meet its liabilities, the Plan's investment policy seeks to generate optimal returns while taking prudent risks.

The real rate of return, i.e., return, over and above inflation, is a key assumption used in actuarial valuations to calculate a plan's liabilities for service already rendered and to determine the rate of total contributions required to fund future service. The UAPP's recent actuarial valuations have assumed a real rate of return of 4% per year. Therefore, to keep the Plan's funding on track with actuarial valuations, the Plan must generate a real return of 4% per year. This required rate sets an actuarial return target.

Performance of each asset class in the Fund is also measured relative to established benchmarks on an ongoing basis. This assists in assessing investment managers' performance and effectiveness in carrying out their mandates. Actual return on the total Fund is also compared to the policy return that is based on a percentage of the Fund allocated to each asset class.

Investment Report

Investment Policies and Guidelines

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The Board is responsible for the Statement of Investment Policies and Goals, which, among other things, specifies the benchmark allocation of the Fund to each asset class, such as fixed income (bonds), Canadian equities (stocks) and non-Canadian equities. The investment manager has the authority to vary the allocation to each asset class within the prescribed range. A review of the Statement is undertaken every year and changes are made as necessary.

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Asset Mix (% of Market Value)
As at December 31, 2000

	Policy Asset Mix Target		Actual	
	2001	1999 / 2000	2000	1999
Fixed Income				
Cash & Short term	2.0	2.0	1.1	1.0
Long Term	21.0	28.0	28.2	27.0
Real Return Bonds	15.0	10.0	10.5	9.5
Total	**38.0**	**40.0**	**39.8**	**37.5**
Equities				
Canadian	27.0	30.0	29.1	31.7
United States	15.0	12.0	13.1	11.4
International	17.0	15.0	15.8	18.5
Emerging Markets	3.0	3.0	2.2	0.9
Total	**62.0**	**60.0**	**60.2**	**62.5**

the probability of meeting the growth requirements of the Plan.

The policy asset mix sets all asset class ranges. This will reflect the risk profile of the Plan by increasing the overall diversification of the Plan's equity investments. The Canadian equity market is relatively narrow and concentrated. It is subject to swings in a few industry groups and a small number of companies account for a large portion of the market's capitalization. Investing outside Canada increases the investment opportunity set and the potential for a more diversified portfolio.

In addition, the Board also fine-tuned the fixed income allocation by increasing the exposure of the Plan to real return bonds. This is also designed to improve the overall risk-return trade-off of the Plan.

Investment Benchmarks

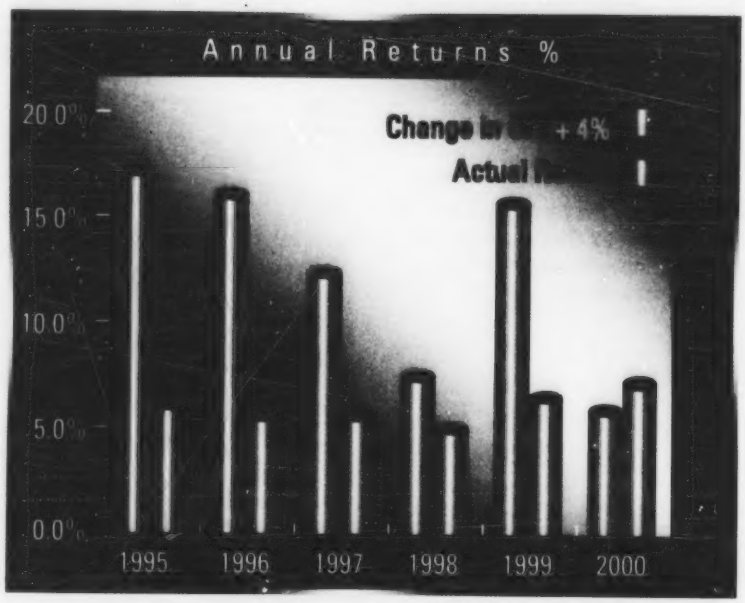
Since investment returns play a crucial role in the ability of a pension plan to meet its liabilities, the Plan's investment policy seeks

Investment Report

Implementation of Investment Policy

Based on the Board's Statement of Investment Policies and Goals, investments are made by the Investment Management Division (IMD) of Alberta Treasury. IMD provides a range of investment products and services and operates on a scale such that the cost of investing to the Plan is very low in comparison to other investment organizations in Canada.

The key to maintaining this relationship over time is investment performance and quality of service provided by IMD. Performance of each product provided by IMD and the overall Fund is measured against a clearly defined market benchmark. Performance is reviewed quarterly, with emphasis on the one-year and four-year time periods.



Growth In Assets

Net assets, including the market value of investments, increased in 2000 by $71 million to $1,823 million. Investment income and market appreciation drove the increase in net assets. Pension payments exceeded contributions by $31 million and are expected to continue to restrain asset growth in the near future. Plan expenses were $1.16 million.

The total assets have grown by 58% over the last five years, even though the benefits paid in each of those years exceeded the total contributions to the Plan. This shows the importance of investment returns to the overall financial health of the Plan. (Refer to "Market Value Investments" chart on the first page for more information).

Fund Performance Review

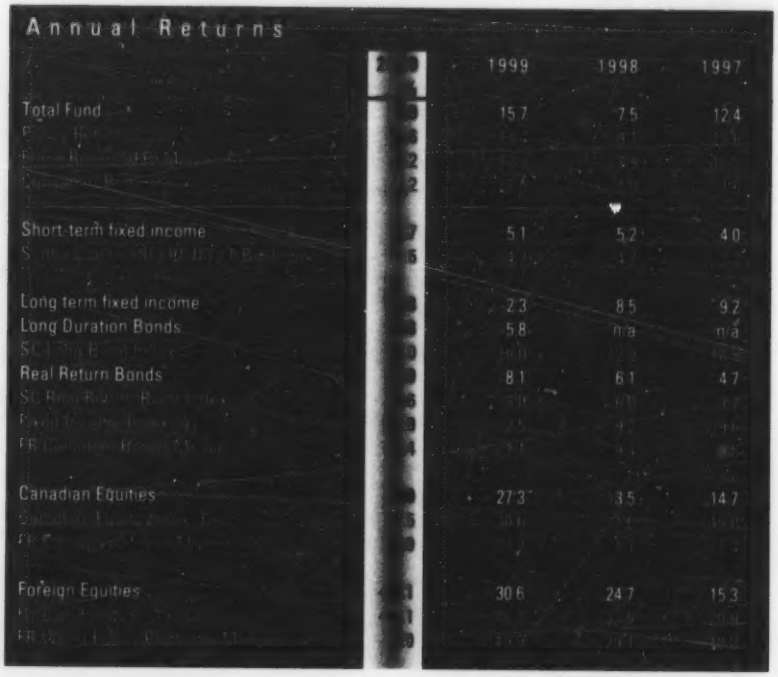
Overall investment returns in 2000 were substantially lower than in recent years. The key reason is generally poor performance of nearly all equity markets. Canada was the only major equity market that managed a positive return for 2000. Poor equity performance was partially offset by strong performance in fixed income markets, particularly long-term bonds and real return bonds.

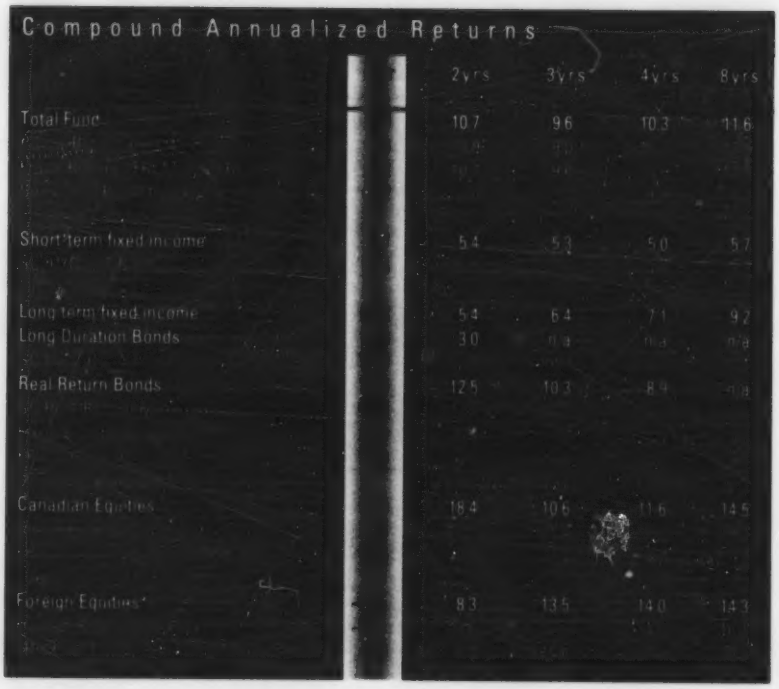
The Fund's total return of 5.9% in 2000, while 1.3% above the policy return, did not meet the actuarial return target of 4% real return. It was also below the Frank Russell Median Return. The -10.1% return of foreign markets and the above average allocation (30% of the total Fund) to foreign equity explain this relative under-performance.

However, the IMD has outperformed the Policy Return benchmark in 1999 and 2000, making up the under-performance in the previous two years.

While the Fund fell short of the long-term objective in 2000, it has more than met this objective over the last eight years. The Fund's return averaged 11.6% per year over the last eight years when the Consumer Price Index increased by 1.7%. These double digit rates of nominal return and very high rates of real return have added substantially to the Plan's asset base and assisted in improving the Plan's funded status.

Investment Report





(A) 74% SC Long Bond Index and 26% SC Real Return Bond Index

(B) 90% TSE 300 and 10% Nesbitt Burns Small Cap Index

(C) 41.7% S&P 500, 51.6% MSCI EAFE and 6.7% MSCI Emerging Markets

Investment Report

Annual Returns

	2000 %	1999 %	1998 %	1997 %
Total Fund	**5.9**	**15.7**	**7.5**	**12.4**
Policy Return	4.6	13.4	9.1	13.6
Frank Russell (FR) Median Return	9.2	12.4	7.9	15.3
Consumer Price Index	3.2	2.5	1.0	1.6
Short-term fixed income	**5.7**	**5.1**	**5.2**	**4.0**
Scotia Capital (SC) 91-Day T-Bill Index	5.5	4.7	4.7	3.2
Long term fixed income	**13.8**	**-2.3**	**8.5**	**9.2**
Long Duration Bonds	**12.6**	**-5.8**	**n/a**	**n/a**
SC Long Bond Index	13.0	-6.0	12.9	18.5
Real Return Bonds	**17.0**	**8.1**	**6.1**	**4.7**
SC Real Return Bond Index	16.6	8.0	6.0	4.7
Fixed Income Index (A)	13.9	-2.5	9.2	9.6
FR Canadian Bonds Median	10.4	-1.1	9.4	9.8
Canadian Equities	**10.0**	**27.3**	**-3.5**	**14.7**
Canadian Equity Index (B)	7.5	30.6	-1.6	15.0
FR Canadian Stocks Median	12.9	27.2	-1.7	18.4
Foreign Equities	**-10.1**	**30.6**	**24.7**	**15.3**
Foreign Equity Index (C)	-10.1	18.7	33.5	20.9
FR World Equity Portfolios Median	-5.9	19.9	29.1	18.8

Compound Annualized Returns

	1yr %	2yrs %	3yrs %	4yrs %	8yrs %
Total Fund	**5.9**	**10.7**	**9.6**	**10.3**	**11.6**
Policy Return	4.6	8.9	9.0	10.1	12.5
Frank Russell (FR) Median Return	9.2	10.7	9.6	10.9	12.8
Consumer Price Index	3.2	2.9	2.3	1.9	1.7
Short-term fixed income	**5.7**	**5.4**	**5.3**	**5.0**	**5.7**
SC 91-Day T-Bill Index	5.5	5.1	5.0	4.5	5.2
Long term fixed income	**13.8**	**5.4**	**6.4**	**7.1**	**9.2**
Long Duration Bonds	**12.6**	**3.0**	**n/a**	**n/a**	**n/a**
SC Long Bond Index	13.0	3.1	6.2	9.2	11.1
Real Return Bonds	**17.0**	**12.5**	**10.3**	**8.9**	**n/a**
SC Real Return Bond Index	16.6	12.2	10.1	8.7	8.5
Fixed Income Index (A)	13.9	5.4	6.7	7.4	9.3
FR Canadian Bonds Median	10.4	4.5	6.1	7.0	9.1
Canadian Equities	**10.0**	**18.4**	**10.6**	**11.6**	**14.5**
Canadian Equity Index (B)	7.5	18.5	11.4	12.3	15.2
FR Canadian Stocks Median	12.9	20.7	13.1	14.3	15.8
Foreign Equities	**-10.1**	**8.3**	**13.5**	**14.0**	**14.3**
Foreign Equity Index (C)	-10.1	3.6	12.8	14.7	16.1
FR World Equity Portfolios Median	-5.9	8.0	15.6	17.1	19.2

(A) 74% SC Long Bond Index and 26% SC Real Return Bond Index

(B) 90% TSE 300 and 10% Nesbitt Burns Small Cap Index

(C) 47% S&P 500, 31.6% MSCI EAFE and 9.7% MSCI Emerging Markets

Asset Class Performance

Fixed Income Investments

The fixed income component is divided among bonds, mortgages, real return bonds and cash. All the components are managed internally within the Investment Management Division.

Long Bonds underperformed the benchmark, returning 12.6% versus 13.0% for the Scotia Captial Bond Long Bond index. Real return bonds out-performed, returning 17.0% versus 16.6%, and cash/short-term returned 5.7% versus the benchmark return of 5.5%.

Canadian Equity Investments

The Plan invests in Canadian equities through several strategies. These include both passive and active mandates. TSE 300 index and core strategies are managed internally by IMD, while the large-cap active strategy, which invests in companies with a large market capitalization, and the small-cap active strategy are managed by external investment advisors.

The total Canadian equity return was 10.0% versus 7.5% for the TSE 300 index. In terms of internal mandates, the full TSE 300 index strategy is intended to replicate the return of the TSE 300 market index. In the year 2000, it managed a modest outperformance, returning 8.0%. The internally managed core product substantially under-performed by returning 3.4%.

The external large-cap managers returned 17.6% and the small-cap managers returned 14.9%, both well ahead of both the TSE 300 index and the 7.3% return of the Nesbitt/Burns small cap index.

Foreign Equity Investments

The Board's investment policy divides foreign equity allocation among the U.S., non-North American equity markets and emerging markets.

Within the non-North American segment, mandates are divided into either regional (e.g. Europe) where the manager invests solely within the region or multi-regional (e.g. Europe, Australia and Far East) where the manager may invest across different regions.

U.S. Equities

The Plan's investments in the U.S. were allocated about 58% to passive and 42% to active strategies. A significant portion has been invested in the internally managed derivative product to manage the Fund's higher exposure to foreign equity relative to the *Income Tax Act* limits. Though these limits were increased in 2000, the derivative structures were retained as the policy allocation to foreign equity has increased.

After an exceptional five year period the S&P 500 in Canadian dollar terms returned -5.8%. The Fund generated a return of -4.7% and the derivative product returned -5.7%. The passive product had a return of -5.8%, and the active component returned -3.9% for the year.

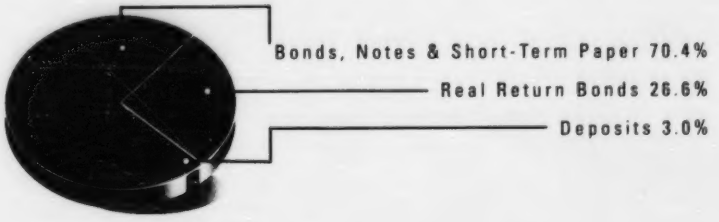
Non – North American Equities

The non-North American equity component includes an allocation to both developed and emerging markets. Roughly 32% was allocated to an internally managed index-based strategy. Of that, a portion was allocated to a derivative product to manage the Fund's exposure to foreign equity relative to the *Income Tax Act* limits. The remaining 68% (including all of the emerging market allocation) was managed by external active managers.

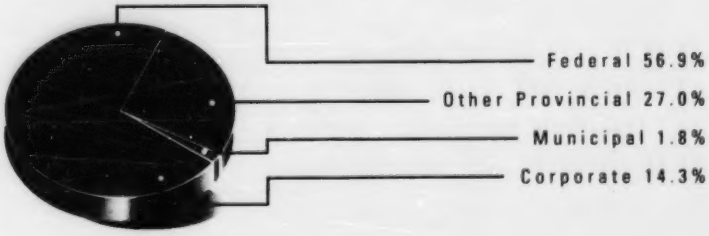
In 2000, non-North American markets also had a difficult time after a couple of strong years. The developed markets returned -11.2% in 2000 while emerging markets had a -28% return. The non-North American developed markets' equity component had a -11.7% return while the emerging market product returned -28.2%. Active managers under-performed, particularly in the Pacific Basin region where they gave up some of the extraordinary gains made in 1999.

Investment Report

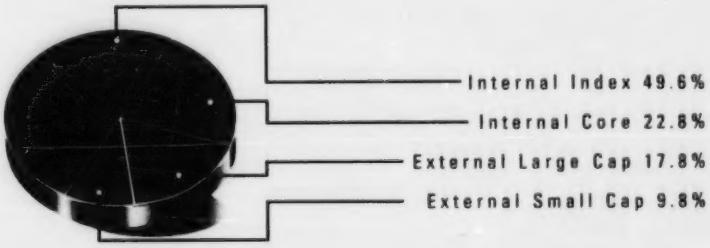
Summary of Fixed Income Holdings (by security type)



Summary of Fixed Income Holdings (Issued & guaranteed by)



Composition of Canadian Equities



Summary of Foreign Equity Holdings

Top 10 U.S. Equity Pool Holdings

December 31, 2000

Company	% of Pool Holdings
General Electric Co.	3.3
Citigroup Inc.	2.4
Pfizer Inc.	2.3
Exxon Mobil Corp.	2.2
Microsoft Corp.	2.1
Cisco Systems Inc.	1.7
American International Group Inc.	1.7
Merck & Co., Inc.	1.6
Bristol Myers Squibb Company	1.4
SBC Communications Inc.	1.4

Top 10 International Equity Pool Holdings

December 31, 2000

Company	% of Pool Holdings
Vodafone Group	2.4
Nokia Corporation	1.7
Glaxosmithkline	1.7
Nestlé	1.6
Total Fina Elf	1.5
HSBC Holdings	1.4
Novartis	1.4
BP Amoco	1.3
Alcatel	1.3
Roche Holdings Ltd.	1.2

Top 10 Canadian Equity Pool Holdings

December 31, 2000

Company	% of Pool Holdings
Nortel Networks Corp.	15.3
Royal Bank of Canada	2.9
BCE Inc.	2.9
Bombardier Inc.	2.7
Toronto Dominion Bank	2.6
Manulife Financial Corp.	2.2
Bank of Nova Scotia	1.9
Bank of Montreal	1.8
Alcan Aluminum Ltd.	1.7
Sun Life Financial Services	1.7

Administration Report

Alberta Pensions Administration (APA) Corporation provides administration for the Universities Academic Pension Plan (UAPP) by collecting contributions and keeping accurate and secure records, as well as paying benefits to pensioners and members who are leaving UAPP. APA also provides Plan information to members and employers while supporting the activities of the Board.

During 2000, APA made significant progress towards creating a new administration system as well as undertaking initiatives to improve the quality and security of current service to customers.

APEX Project – for a new pension administration system

In 2000, options for a new pension administration system were re-evaluated in preparation for a re-start of the Alberta Pensions Excellence (APEX) project. Business specifications were updated and a Request for Proposal (RFP) was issued.

The project team's evaluation of options in the second quarter was independently confirmed through a global market scan by KPMG. Detailed business specifications were prepared for the RFP issued in October.

Maintaining and Improving Current Service

To mitigate risk associated with operating APA's current system, a new IBM AS/400 server was purchased and installed in June without any disruption of service to customers. The new server – which brings efficiencies and is fully supported by the supplier – will help ensure customers' system requirements are met before completion of the APEX project.

Repatriation of pensioner payment applications and data from the KPMG mainframe in Ontario to Alberta Innovation and Science was successfully completed by mid-year without disrupting end-users. This has reduced costs and mitigated risks associated with the service.

During the year, specifications were drafted for a termination options package to be provided later in 2001. The new package will generate detailed estimates of the value of options available to members upon leaving the Plan before retirement. Members will be able to make a more informed choice from among the options.

Performance Measurements

APA's performance declined in the last quarter of 1999 and the first quarter of 2000. This was largely a result of a backlog that developed when the optional service costing system was unavailable due to programming changes required for new actuarial assumptions and methodology. Measures taken in the second quarter to restore service levels included:

- separating APEX requirements from operational requirements, and replacing staff seconded to the APEX project at a ratio of 1.5:1 (in recognition of lost productivity with less experienced staff);
- reorganizing the Pension Benefits unit into specialty units so as to minimize training and maximize production;
- additional recruitment to fill vacant supervisory positions; and
- providing new training materials for staff.

The backlog in optional service costings was overcome in May 2000, helping performance measures to improve in the second and subsequent quarters. For the year, the areas of most significant improvements were the timeliness of optional service costings and delivery of Member Annual Statements.

Members received their Annual Statements much earlier than in the previous year, when difficulties associated with the processing system disrupted distribution. By March 31, 2000, about 75% of the statements were distributed. By the end of the second quarter, virtually all Member Annual Statements were issued.

Service Envelope

In the fourth quarter, APA presented a Service Envelope proposal to plan boards recommending two tiers of service levels. Tier One services are included in the per member cost and Tier Two are charged on a user pay basis. This is being done in the interest of fairness among plans, and to enable APA to more effectively plan for providing both regular and supplementary services.

Surveys

Results of the annual Quantitative Service Measurement (QSM) survey of Canadian public sector pension administrators showed that APA continues to be one of the most cost-effective pension plan administrators of similar size. Service standards also compare favourably with other QSM participants.

Administration Report

The 2000 employer survey conducted by APA in early 2001 received responses from 162 employers (35% of the total served) of the plans administered by APA. The overall level of satisfaction in all the plans was 33% very satisfied and 57% satisfied, compared to 24% very satisfied and 58% satisfied in the 1999 survey.

Below are the overall averages of 2000 employer survey responses regarding ratings of pension services, service delivery and communications.

Pension services	33%	57%	90%
Delivery	38%	52%	90%
Communications	29%	67%	96%

Communications

In 2000, the Communication Plan for UAPP was updated to reflect changes in the Plan and the Plan's increased focus on communication.

An important objective was met when the 1999 UAPP Annual Report based on extrapolated financial information was produced in the first quarter of 2000. (The 2000 UAPP Annual Report had a later production schedule because it included financial information based on the year-end actuarial valuation that was provided to the Board in May 2001.)

The revised UAPP Member Handbook was printed and distributed to members in June 2000. Before year-end, the handbook was extensively revised to reflect the changes in Plan rules and governance as of January 1, 2001 when UAPP became a non-statutory plan subject to the Employment Pension Plans Act of Alberta.

In November, the Board approved the new UAPP logo, which gives the Plan a more distinctive and contemporary identity. Forms, letterhead and information sheets have been revised to feature the new logo.

Towards year-end and in early 2001, the UAPP Web site was revamped with the new identity that will be more inviting and effective for users. Arrangements were made to acquire a simpler Web site address at www.uapp.ca.

During the year, APA provided five employee seminars for UAPP members as part of its program of providing employer workshops and employee seminars.

Organizational Transformation

During 2000, APA upgraded staff training, commenced a comprehensive job evaluation project, and expanded the Recognition Awards program. Employees had an average of 42 hours of training during the year, considerably more than in previous years. As well, the performance management program called "Targeting Achievement" was revised to clearly link individual and business unit goals with corporate goals.

Toward year-end and in early 2001, staff received training regarding the significant changes in the UAPP as a result of plan independence in 2001.

Statistics

Pension Contributions

Contributions made to UAPP in 2000 totalled $55.4 million. This included $26.3 million from active members, $24.6 million from employers, $4.1 million from the Government of Alberta and $0.4 million in transfers of funds from other plans. Total contributions in 1999 were $48.3 million.

Pension Payments

Payments from the Plan totalled $86.9 million, including $81.4 million in pension benefits, $4.3 million in refunds to members, and $1.2 million in Plan expenses. In 1999, total payments from the Plan were $83.0 million.

Expenses

In 2000, UAPP's general administration costs, investment costs and actuarial fees totalled $1,161,000 or $157 per member, compared to $164 per member in 1999. Of this amount, APA costs were $509,000 or $69 per member, compared to $81 per member in 1999. The reduced expenses reflect lower contributions to the APEX project.

Statistical Information

The following tables provide statistical information on plan participation and retirement levels for 2000. Statistics from 1999 are shown for comparison.

Acknowledgements

APA wishes to acknowledge the UAPP Board and the Minister of Finance for their support throughout the year. We also thank employers for their ongoing cooperation in meeting timelines and reporting requirements.

Administration Report

Participation

	2000	1999
Active Members	4,871	4,527
Deferred Members	445	446
Pensioners	2,353	2,242
Total	7,669	7,215

New Pensioners

	2000	1999
Retirements	31	25
Early Retirements	93	68
Disability Retirements	0	0
Death Benefits to Spouses	4	7
Total	128	100

New Pensioner Retirement Choices

as at December 31, 2000

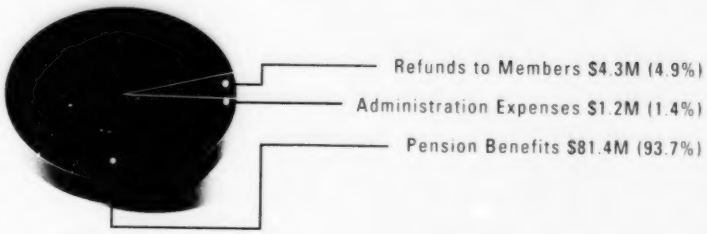
	2000	1999
Single Life	13	6
Joint Life	75	60
Guaranteed Terms-Single	27	15
Guaranteed Terms-Joint	13	19
Total	128	100

Monthly Payment Distributions

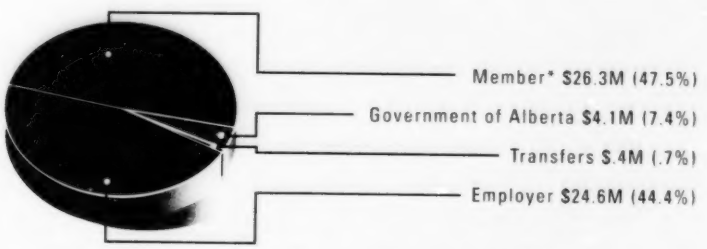
as at December 31, 2000

Dollar Value ($) Per Month	Member Pensions	Spouse's Pensions	Total
1 to 999	172	13	185
1,000 to 1,999	411	47	458
2,000 to 2,999	534	33	567
3,000 to 3,999	605	13	618
4,000 and over	524	1	525
Total	2,246	107	2,353

Pension Payments



Pension Contributions



* *Member contributions include prior service contributions.*

George Buse
Chief Operating Officer
Alberta Pensions Administration Corporation

Administration Report

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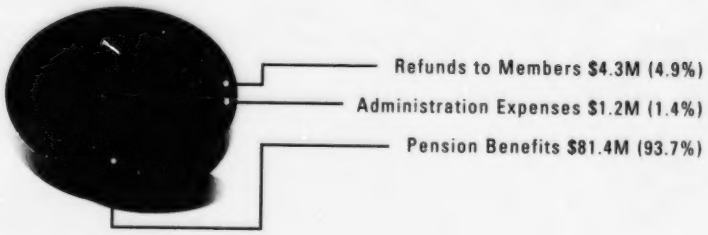

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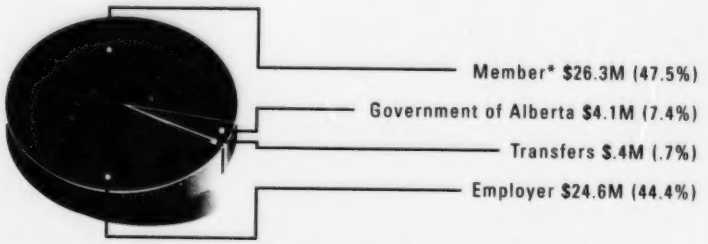

** Member contributions include prior service contributions.*

George Buse
Chief Operating Officer
Alberta Pensions Administration Corporation

Management's Responsibility for Financial Reporting

The financial statements and information in the 2000 Annual Report are the responsibility of the Provincial Treasurer. This responsibility is undertaken on behalf of the Provincial Treasurer by the Investment Management Division (IMD) of Alberta Treasury and Alberta Pensions Administration (APA) Corporation. The financial statements and information in the Annual Report have been approved by the Board.

The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgements. Financial information presented in the 2000 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

To discharge their responsibility for the integrity and objectivity of financial reporting, both IMD, acting in the capacity of investment manager, and APA, acting in the capacity of pension administrator, maintain a system of internal accounting controls comprising written policies, standards and procedures, and a formal authorization structure.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Auditor General of Alberta, the Plan's external auditor, provides an independent audit of operations, investments and financial statements. His examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow him to report on the fairness of the financial statements prepared by management.

Peter Kruselnicki, P. Eng.
Deputy Provincial Treasurer

George Buse
Chief Operating Officer
Alberta Pensions Administration Corporation

Auditor's Report

To the Universities Academic Pension Board

I have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan as at December 31, 2000 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the plan as at December 31, 2000 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Edmonton, Alberta
May 4, 2001

FCA
Auditor General

STATEMENT OF NET ASSETS AND ACCRUED PENSION LIABILITY

As at December 31, 2000
($ thousands)

	2000	1999
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 1,816,277	$ 1,746,574
Accrued investment income	2,023	2,014
Contributions receivable:		
Employers	2,101	1,535
Employees	2,243	1,598
Province of Alberta	573	299
	1,823,217	1,752,020
Liabilities		
Accounts payable and accrued liabilities	703	558
Net assets available for benefits	1,822,514	1,751,462
Asset fluctuation reserve	(31,000)	(88,300)
Actuarial value of net assets	1,791,514	1,663,162
Deficiency	105,686	109,238
Accrued pension liability	**$ 1,897,200**	**$ 1,772,400**

See accompanying notes and schedules.

STATEMENT OF NET ASSETS AND ACCRUED PENSION LIABILITY

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($ thousands)

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See accompanying notes and schedules.

Statement of Changes in Net Assets Available for Benefits

For the year ended December 31
($ thousands)

	2000	1999
Contributions received		
Current and past service:		
Employers	$ 23,057	$ 19,702
Employees	24,677	20,517
Additional contributions to meet pre-1992 unfunded liability:		
Employers	1,567	2,092
Employees	1,567	2,092
Province of Alberta	4,123	3,873
Transfers from other plans	441	48
	55,432	48,324
Other income		
Net investment income (Note 6)	102,500	241,119
Payments made		
Pension benefits	(81,437)	(77,726)
Refunds and transfers to members	(4,282)	(4,062)
Plan expenses (Note 7)	(1,161)	(1,163)
	(86,880)	(82,951)
Increase in net assets	71,052	206,492
Net assets available for benefits at beginning of year	1,751,462	1,544,970
Net assets available for benefits at end of year	$ 1,822,514	$ 1,751,462

See accompanying notes and schedules.

Statement of Changes in Accrued Pension Liability

For the year ended December 31
($ thousands)

	2000			1999
	Pre-1992	Post-1991	Total	Total
Increase in accrued pension liability				
Interest accrued on liability	$ 96,600	$ 32,700	$ 129,300	$ 125,900
Benefits earned	-	48,100	48,100	40,800
Net experience losses*	36,000	14,700	50,700	-
	132,600	95,500	228,100	166,700
Decrease in accrued pension liability				
Benefits paid, including interest	75,000	10,600	85,600	84,700
Changes in actuarial assumptions*	7,400	9,100	16,500	-
Changes in TIAA - CREF balance*	(800)	-	(800)	-
Present value of prior service payments due*	-	2,000	2,000	-
	81,600	21,700	103,300	84,700
Net increase in accrued pension liability	51,000	73,800	124,800	82,000
Accrued pension liability at beginning of year	1,365,821	406,579	1,772,400	1,690,400
Accrued pension liability at end of year (Note 8)	**$1,416,821**	**$ 480,379**	**$1,897,200**	**$1,772,400**

* An actuarial valuation was performed at December 31, 2000 and the 1998 actuarial valuation was extrapolated to December 31, 1999.

See accompanying notes and schedules.

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* An actuarial valuation was performed at December 31, 2000 and the 1998 actuarial valuation was extrapolated to December 31, 1999.

See accompanying notes and schedules.

Statement of Changes in Deficiency

For year ended December 31
($ thousands)

	2000			1999
	Pre-1992	Post-1991	Total	Total
Deficiency (surplus) at beginning of year	$ 155,921	$ (46,683)	$ 109,238	$ 172,730
Net increase in net assets available for benefits	(5,440)	(65,612)	(71,052)	(206,492)
Net increase (decrease) in asset fluctuation reserve	(42,000)	(15,300)	(57,300)	61,000
Net increase in accrued pension liability	51,000	73,800	124,800	82,000
Deficiency (surplus) at end of year	**$ 159,481**	**$ (53,795)**	**$ 105,686**	**$ 109,238**

See accompanying notes and schedules.

Statement of Changes in Deficiency

For year ended December 31
($ thousands)

	2000			1999
	Pre-1992	Post-1991	Total	Total
Deficiency (surplus) at beginning of year	$ 155,921	$ (46,683)	$ 109,238	$ 172,730
Net increase in net assets available for benefits	(5,440)	(65,612)	(71,052)	(206,492)
Net increase (decrease) in asset fluctuation reserve	(42,000)	(15,300)	(57,300)	61,000
Net increase in accrued pension liability	51,000	73,800	124,800	82,000
Deficiency (surplus) at end of year	$ 159,481	$ (53,795)	$ 105,686	$ 109,238

See accompanying notes and schedules.

Notes to the Financial Statements

December 31, 2000

Note 1
Summary Description of the Plan

The following description of the Universities Academic Pension Plan is a summary only. For a complete description of the plan, reference should be made to the *Public Sector Pension Plans Act*, Chapter P-30.7, Statutes of Alberta 1993, as amended, and Alberta Regulation 370/93.

(a) General

The Universities Academic Pension Plan is a contributory defined benefit pension plan for all academic staff members and other eligible employees of the universities of Alberta, Calgary, Lethbridge, Athabasca University and The Banff Centre.

(b) Funding Policy

Contributions and investment earnings are expected to fund all benefits payable under the plan. Contributions are reviewed in consultation with the plan's actuary at least once every three years by the Universities Academic Pension Board.

Current service costs for the universities of Alberta, Calgary and Lethbridge are funded by matching employee and employer contributions on pensionable salaries. Rates in effect at December 31, 2000, are 5.9% (1999: 5.9%) of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 8.3% (1999: 8.3%) on pensionable salary above the YMPE.

Rates in effect for employees of Athabasca University and The Banff Centre are 5.4% (1999: 5.4%) of pensionable salaries up to the Canada Pension Plan's YMPE and 7.8% (1999: 7.8%) on pensionable salary above the YMPE. Employers contribute at a rate 1.0% more than employees.

The unfunded liability for service prior to January 1, 1992 as determined by actuarial valuation is financed by additional contributions from the Province of Alberta, employers and employees. Contribution rates are set on the basis that the additional contributions will eliminate the unfunded liability on or before December 31, 2043. The rate for employer and the rate for employee at December 31, 2000 is 0.475% (1999: 0.475%) of salary and the rate for the Province of Alberta is 1.25% (1999: 1.25%) of salary.

(c) Retirement Benefits

The plan provides for a pension of 2.0% for each year of pensionable service, based on the average salary of the highest five consecutive years. The maximum service allowable under the plan is 35 years. The plan's benefits and contributions were integrated with the Canada Pension Plan as of January 1, 1994. As a result, pensions for service after 1993 are reduced at age 65. The reduction is based on 0.6% of the Canada Pension Plan's average YMPE for the same five years as used in calculating the average salary of the highest five consecutive years.

Subject to certain conditions, members are entitled to an actuarially unreduced pension for service before 1994 if they have attained age 65 and have at least five years of service or have attained age 55 and have at least ten years of service.

Members are entitled to an actuarially unreduced pension for service after 1993 if they have either attained age 60 and have at least five years of service or have attained age 55 and the sum of their age and service equals 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least five years of service.

(d) Disability Benefits

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the plan.

Members who become disabled and have at least five years of service and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension. If total service is less than ten years, the pension is based on post-1993 service only. A reduced pension is paid where the member is partially disabled.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member had at least ten years of service, a surviving spouse may choose to receive a survivor pension based on total service. For service between five and ten years, the surviving spouse may choose to receive a pension based on the post-1993 service and a lump sum payment for pre-1994 service. For a beneficiary other than a spouse, or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Termination benefits for service before 1994 are different than for service after 1993.

Refunds on service performed before 1994 equal employee and employer contributions plus interest if transferred directly to a RRSP. Otherwise, refunds equal only employee contributions plus interest.

For service after 1993, the refund depends on whether the member has more or less than five years of total service. If the member has five or more years of service, the refund is based on the greater of the commuted value or 1.75 times employee contributions and interest. If the member has less than five years' service, the refund is equal to employee contributions plus interest. Refunds are subject to the plan lock-in provisions.

Members who terminate with fewer than five years of service and who are not immediately entitled to a pension may receive a refund.

Members who terminate with more than five years of service and are not immediately entitled to a pension may elect to receive a refund or a deferred pension.

Note 1
Summary Description of the Plan (continued)

(g) Prior Service and Transfers

All prior service purchases are to be cost-neutral to the plan.

Reciprocal agreements provide that service be transferred into the Plan on an actuarial reserve basis and the service transferred out of the Plan receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The plan is a registered pension plan as defined in the *Income Tax Act*. The plan's registration number is 0339572.

Note 2
Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Treasury. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the plan or by pooled investment funds are explained in the following paragraphs.

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by Alberta Treasury.

The fair value of private equities is estimated by Alberta Treasury.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the plan's funded status, asset values are adjusted by an asset fluctuation reserve. Assets for the previous two years are projected to increase at the rate of return assumed in the actuarial valuation. The actuarial value of assets is determined by averaging three years' values, the current market value and the projected asset values.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of Net Investment Income.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods.

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

Note 3
Investments (Schedules A to C)

Investments are summarized as follows:

	2000 ($ thousands)	%	1999 ($ thousands)	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 19,316	1.1	$ 17,169	1.0
Fixed Income Securities				
Canadian Dollar Long Bond Pool (Schedule A)	500,664	27.6	438,819	25.1
Real Rate of Return Bonds (b)	190,475	10.5	165,798	9.5
Floating Rate Note Pool (c)	7,585	0.4	19,485	1.1
Canadian Dollar Public Bond Pool (d)	4,216	0.2	14,757	0.8
Total deposit and fixed income securities	722,256	39.8	656,008	37.5
Canadian Equities				
Domestic Passive Equity Pooled Fund (Schedule B)	262,868	14.5	282,517	16.2
External Managers Fund (Canadian) (Schedule C)	146,116	8.0	133,678	7.7
Canadian Pooled Equities Fund (e)	113,046	6.2	129,435	7.4
Private Equity Pool (f)	7,764	0.4	7,510	0.4
Foreign Equities				
External Managers Fund (International) (Schedule C)	223,076	12.3	201,099	11.5
External Managers Fund (United States) (Schedule C)	136,430	7.5	102,430	5.9
EAFE Structured Equity Pooled Fund (g)	103,110	5.7	137,204	7.9
US Passive Equity Pooled Fund (h)	101,331	5.6	54,298	3.1
United States Pooled Equities Fund	280	-	483	-
US Structured Equity Pooled Fund	-	-	41,901	2.4
Total equities	1,094,021	60.2	1,090,566	62.5
Total investments	$ 1,816,277	100.0	$ 1,746,574	100.0

(a) The Consolidated Cash Investment Trust Fund is managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) Real rate of return bonds are issued or guaranteed by the Government of Canada, bear interest at a fixed rate adjusted for inflation and have terms to maturity of over 20 years.

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 2000, securities held by the Pool have an average effective market yield of 6.07% per annum based on market (1999: 6.47% per annum) and the following term structure based on principal amount:

Under 1 year: 6% (1999: 11%); 1 to 5 years: 37% (1999: 34%); 5 to 10 years: 28% (1999: 29%); 10 to 20 years: 15% (1999: 17%); over 20 years: 14% (1999: 9%).

(e) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(f) The Private Equity Pool is in the process of orderly liquidation.

(g) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe,

Note 3
Investments (Schedules A to C)

Investments are summarized as follows:

	2000 ($ thousands)	%	1999 ($ thousands)	%
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 19,316	1.1	$ 17,169	1.0
Fixed Income Securities				
Canadian Dollar Long Bond Pool (Schedule A)	500,664	27.6	438,819	25.1
Real Rate of Return Bonds (b)	190,475	10.5	165,798	9.5
Floating Rate Note Pool (c)	7,585	0.4	19,465	1.1
Canadian Dollar Public Bond Pool (d)	4,216	0.2	14,757	0.8
Total deposit and fixed income securities	722,256	39.8	656,008	37.5
Canadian Equities				
Domestic Passive Equity Pooled Fund (Schedule B)	262,868	14.5	282,517	16.2
External Managers Fund (Canadian) (Schedule C)	146,116	8.0	133,678	7.7
Canadian Pooled Equities Fund (e)	113,046	6.2	129,435	7.4
Private Equity Pool (f)	7,764	0.4	7,510	0.4
Foreign Equities				
External Managers Fund (International) (Schedule C)	223,076	12.3	201,099	11.5
External Managers Fund (United States) (Schedule C)	136,430	7.5	102,430	5.9
EAFE Structured Equity Pooled Fund (g)	103,110	5.7	137,204	7.9
US Passive Equity Pooled Fund (h)	101,331	5.6	54,299	3.1
United States Pooled Equities Fund	280	-	493	-
US Structured Equity Pooled Fund	-	-	41,901	2.4
Total equities	1,094,021	60.2	1,090,566	62.5
Total investments	**$ 1,816,277**	**100.0**	**$ 1,746,574**	**100.0**

(a) The Consolidated Cash Investment Trust Fund is managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) Real rate of return bonds are issued or guaranteed by the Government of Canada, bear interest at a fixed rate adjusted for inflation and have terms to maturity of over 20 years.

(c) The Floating Rate Note Pool is managed with the objective of generating floating rate cash flows needed for the swap obligations of participants with structured investments. Through the use of interest rate swaps, the pool provides investment opportunities in high quality floating rate instruments with remaining term to maturity of ten years or less.

(d) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 2000, securities held by the Pool have an average effective market yield of 6.07% per annum based on market (1999: 6.47% per annum) and the following term structure based on principal amount:

Under 1 year: 6% (1999: 11%); 1 to 5 years: 37% (1999: 34%); 5 to 10 years: 28% (1999: 29%); 10 to 20 years: 15% (1999: 17%); over 20 years: 14% (1999: 9%).

(e) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the Toronto Stock Exchange 300 Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(f) The Private Equity Pool is in the process of orderly liquidation.

(g) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is managed with the objective of providing investment returns comparable to the total return of the Morgan Stanley Capital International EAFE Index. The pool provides exposure to foreign markets in Europe,

Note 3 Investments
(Schedules A to C) (continued)

Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(c)] to generate the floating rate cash flows needed for its equity swap obligations.

(h) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

Note 4
Investment Risk Management

Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5
Derivatives Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2000.

	2000		1999	
	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	($ thousands)			
Equity index swap contracts	$325,229	$ (7,034)	$ 349,994	$ 26,210
Bond index swap contracts	336	2	2,511	(17)
Interest rate swap contracts	69,027	(875)	75,390	(1,019)
Forward foreign exchange contracts	38,678	1	20,563	111
Equity index futures contracts	346	2	474	14
	433,616	$ (7,904)	448,932	$ 25,299
Cross-currency interest rate swap contracts (b)	167,036		132,078	
	$600,652		$ 581,010	

(a) The method of determining fair value of derivative contracts is described in Note 2 (f).

(b) As at December 31, 2000, the combined value of cross-currency interest rate swaps and underlying securities amounted to $168,796,000 (1999: $133,313,000).

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $163,120,000 that mature between 1 and 3 years and $33,791,000 that mature over 3 years.

Note 6
Net Investment Income

Investment income is comprised of the following:

	2000	1999
	($ thousands)	
Net realized and unrealized gains on investments	$ 52,849	$ 101,001
Interest income	64,694	53,778
Derivative income	(23,016)	78,319
Dividend income	9,529	9,358
Securities lending income	263	257
Pooled funds management and associated custodial fees	(1,819)	(1,594)
	$ 102,500	$ 241,119

The following is a summary of the plan's proportionate share of investment income from pooled funds and directly held investments.

	2000	1999
	($ thousands)	
Deposits and Fixed Income Securities:		
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,618	$ 1,019
Canadian Dollar Long Bond Pool	61,562	(26,099)
Real Rate of Return Bonds	39,658	12,007
Floating Rate Note Pool	562	43
Canadian Dollar Public Bond Pool	504	(322)
Other	54	3
	103,958	(13,349)
Equities:		
Canadian Equities:		
Domestic Passive Equity Pooled Fund	24,480	70,679
External Managers Fund (Canadian)	21,111	15,818
Canadian Pooled Equities Fund	9,195	33,032
Private Equity Pool	2,210	1,164
Domestic Structured Equity Pooled Fund	-	1,354
Other	-	(25)
Foreign Equities:		
External Managers Fund (International)	(40,950)	61,546
External Managers Fund (United States)	(3,916)	13,073
EAFE Structured Equity Pooled Fund	(7,157)	24,683
US Passive Equity Pooled Fund	(6,360)	6,500
United States Pooled Equities Fund	440	(616)
US Structured Equity Pooled Fund	(511)	3,233
Global Structured Equity Pooled Fund	-	24,027
	(1,458)	254,468
	$ 102,500	$ 241,119

Note 7
Plan Expenses

	2000	1999
	($ thousands)	
General plan costs	$ 871	$ 893
Investment management costs	237	225
Actuarial fees	53	45
	$ 1,161	$1,163

General plan costs including plan board costs were paid to Alberta Pensions Administration Corporation on a cost recovery basis. Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Treasury on a cost recovery basis.

Pooled funds management and associated custodial fees totalling $1,819,000 (1999: $1,594,000), which have been deducted from investment income of the pools, are excluded from plan expenses.

Total expenses, including pooled funds management and associated custodial fees amounted to $404 per member (1999: $390 per member). The $14 per member cost increase in 2000 is attributed to the following factors: increase in pooled funds management cost $21, increase in general operations cost $7, increase in plan specific cost $5, and decrease in business process re-engineering cost $19.

Total expenses, including pooled funds management and associated custodial fees amounted to 0.163% (1999: 0.157%) of assets under administration.

Note 3 Investments
(Schedules A to C) (continued)

Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool [see Note 3(c)] to generate the floating rate cash flows needed for its equity swap obligations.

(h) The US Passive Equity Pooled Fund is managed with the objective of attaining investment returns comparable to Standard & Poor's (S & P) 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the pooled fund also invests in futures, swaps and other structured investments.

Note 4
Investment Risk Management

Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

Note 5
Derivatives Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2000.

	2000		1999	
	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
	($ thousands)			
Equity index swap contracts	$325,229	$ (7,034)	$ 349,994	$ 26,210
Bond index swap contracts	336	2	2,511	(17)
Interest rate swap contracts	69,027	(875)	75,200	(1,019)
Forward foreign exchange contracts	38,678	1	20,563	111
Equity index futures contracts	346	2	474	14
	433,616	$ (7,904)	448,932	$ 25,299
Cross-currency interest rate swap contracts (b)	167,036		132,678	
	$600,652		$ 581,610	

(a) The method of determining fair value of derivative contracts is described in Note 2 (f).

(b) As at December 31, 2000, the combined value of cross-currency interest rate swaps and underlying securities amounted to $168,796,000 (1999: $133,313,000).

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $163,120,000 that mature between 1 and 3 years and $33,791,000 that mature over 3 years.

Note 6
Net Investment Income

Investment income is comprised of the following:

	2000	[illegible]
	($ thousands)	
Net realized and unrealized gains on investments	$ 52,849	$ [illegible]
Interest income	64,894	[illegible]
Derivative income	(23,016)	[illegible]
Dividend income	9,529	[illegible]
Securities lending income	263	[illegible]
Pooled funds management and associated custodial fees	(1,819)	[illegible]
	$ 102,500	$ [illegible]

The following is a summary of the plan's proportionate share of investment income from pooled funds and directly held investments.

	2000	[illegible]
	($ thousands)	
Deposits and Fixed Income Securities:		
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,618	$ [illegible]
Canadian Dollar Long Bond Pool	61,562	[illegible]
Real Rate of Return Bonds	39,658	[illegible]
Floating Rate Note Pool	562	[illegible]
Canadian Dollar Public Bond Pool	504	[illegible]
Other	54	[illegible]
	103,958	[illegible]
Equities:		
Canadian Equities:		
Domestic Passive Equity Pooled Fund	24,480	[illegible]
External Managers Fund (Canadian)	21,111	[illegible]
Canadian Pooled Equities Fund	9,195	[illegible]
Private Equity Pool	2,210	[illegible]
Domestic Structured Equity Pooled Fund	-	[illegible]
Other	-	[illegible]
Foreign Equities:		
External Managers Fund (International)	(40,950)	[illegible]
External Managers Fund (United States)	(3,916)	[illegible]
EAFE Structured Equity Pooled Fund	(7,157)	[illegible]
US Passive Equity Pooled Fund	(6,360)	[illegible]
United States Pooled Equities Fund	440	[illegible]
US Structured Equity Pooled Fund	(511)	[illegible]
Global Structured Equity Pooled Fund	-	[illegible]
	(1,458)	[illegible]
	$ 102,500	$ [illegible]

Note 7
Plan Expenses

	2000	[illegible]
	($ thousands)	
General plan costs	$ 871	$ [illegible]
Investment management costs	237	[illegible]
Actuarial fees	53	[illegible]
	$ 1,161	$ [illegible]

General plan costs including plan board costs were paid to Alberta Pensions Administration Corporation on a cost recovery basis. Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Treasury on a cost recovery basis.

Pooled funds management and associated custodial fees totalling $1,819,000 (1999: $1,594,000), which have been deducted from investment income of the pools, are excluded from plan expenses.

Total expenses, including pooled funds management and associated custodial fees amounted to $404 per member (1999: $390 per member). The $14 per member cost increase in 2000 is attributed to the following factors: increase in pooled funds management cost $21, increase in general operations cost $7, increase in plan specific cost $5, and decrease in business process re-engineering cost $19.

Total expenses, including pooled funds management and associated custodial fees amounted to 0.163% (1999: 0.157%) of assets under administration.

Note 8
Accrued Pension Liability

(a) Actuarial Valuation

An actuarial valuation of the plan was carried out as at December 31, 2000 by William M. Mercer Limited. The December 31, 2000 valuation resulted in a deficiency of $105.7 million as disclosed in the statement of net assets and accrued pension liability. The valuation as at December 31, 2000 was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the plan's actuary, the Universities Academic Pension Board adopted this best estimate.

The major assumptions used were:

	December 31	
	2000	1999
	Valuation %	Extrapolation %
Asset real rate of return	4	4
Inflation rate	3.50	3.25**
Investment return	7.50	7.25
Salary escalation rate*	3.50	3.25**
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60	60

* Excludes merit and promotion.
** Reflects fully phased in rates.

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting deficiency as at December 31, 2000 allocated between the pre-1992 and post-1991 periods:

	2000			1999
	Pre-1992	Post-1991	Total	Total
	($ thousands)			
Fair value of assets	$ 1,280,340	$ 542,174	$ 1,822,514	$ 1,751,462
Asset fluctuation reserve	(23,000)	(8,000)	(31,000)	(88,300)
Actuarial value of net assets	1,257,340	534,174	1,791,514	1,663,162
Accrued pension liability	1,416,821	480,379	1,897,200	1,772,400
Deficiency (surplus)	$ 159,481	$ (53,795)	$ 105,686	$ 109,238

The plan's unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25 percent of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows the present value at December 31, 2000 of the Province of Alberta's obligation for future additional contributions is $144 million.

The Province reports its obligation to the plan in its consolidated financial statements. The amount reported by the Province represents estimates of the present value of the Province's obligation for future additional contributions, including deferred adjustments.

(b) Sensitivity of Changes in Major Assumptions

The plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the plan.

Note 8
Accrued Pension Liability (continued)
(b) Sensitivity of Changes in Major Assumptions (continued)

	Changes in Assumptions %	Sensitivities: Increase in Plan Deficiency ($ millions)	Sensitivities: Increase in Current Service Cost as % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 108.2	0.9%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	39.0	0.8%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	248.6	3.0%

* The current service cost as % of pensionable earnings as determined by the December 31, 2000 valuation is 14.19%

Note 9
Remuneration of Board Members

Remuneration rates as approved by the Lieutenant Governor in Council are as follows:

	Chairman	Members
Remuneration Rates effective April 1, 2000		
Up to 4 hours	$ 148	$ 133
4 to 8 hours	248	178
Over 8 hours	395	267

	2000	1999
During the year, the following amounts were paid:		
Remuneration		
Chairman	$ 2,977	$ 3,771
Members (8)	24,877	27,104
Travel expenses		
Chairman	1,286	1,343
Members (8)	19,547	20,881

Board members are paid only for attending and preparing for board and committee meetings. Preparation time for a meeting is remunerated at no more than 4 hours. Remuneration with respect to the board member nominated by the Government of Alberta belongs to the Crown and is paid to the Provincial Treasurer.

Note 10
Budget Information

The accrued pension liability is based on the Universities Academic Pension Board's best estimates of future events after consultation with the plan's actuary. Differences between actual results and the Board's expectations are disclosed as net experience gains or losses in the statement of changes in accrued pension liability. Accordingly, a budget is not included in these financial statements.

Note 11
Subsequent Events

On December 31, 2000, the plan ceased to operate as a statutory plan governed by the *Public Sector Pension Plans Act*. On January 1, 2001, it continued as a new plan under the *Employment Pension Plans Act*. In accordance with section 18(1) of Schedule 3 to the *Public Sector Pension Plans (Legislative Provisions) Regulation (AR 365/93)*, an initial transfer of 90% of the estimated apportioned assets of the old plan was made to the new plan in January 2001. The balance of the estimated apportioned assets will be transferred to the new plan in the second half of 2001.

The Province of Alberta will continue to be responsible for its share of the unfunded liability for pre-1992 service.

Note 8
Accrued Pension Liability

(a) Actuarial Valuation

An actuarial valuation of the plan was carried out as at December 31, 2000 by William M. Mercer Limited. The December 31, 2000 valuation resulted in a deficiency of $105.7 million as disclosed in the statement of net assets and accrued pension liability. The valuation as at December 31, 2000 was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the plan's actuary, the Universities Academic Pension Board adopted this best estimate.

The major assumptions used were:

	December 31 2000	1999
	Valuation %	Extrapolation %
Asset real rate of return	4	4
Inflation rate	3.50	3.25**
Investment return	7.50	7.25
Salary escalation rate*	3.50	3.25**
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60	60

* Excludes merit and promotion.
** Reflects fully phased in rates.

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting deficiency as at December 31, 2000 allocated between the pre-1992 and post-1991 periods:

	2000			1999
	Pre-1992	Post-1991	Total	Total
	($ thousands)			
Fair value of assets	$ 1,280,340	$ 542,174	$ 1,822,514	$ 1,751,462
Asset fluctuation reserve	(23,000)	(8,000)	(31,000)	(88,300)
Actuarial value of net assets	1,257,340	534,174	1,791,514	1,663,162
Accrued pension liability	1,416,821	480,379	1,897,200	1,772,400
Deficiency (surplus)	**$ 159,481**	**$ (53,795)**	**$ 105,686**	**$ 109,238**

The plan's unfunded liability for service prior to January 1, 1992 is being financed by additional contributions of 1.25 percent of salaries by the Province of Alberta with employees and employers equally sharing the balance of the contributions required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows the present value at December 31, 2000 of the Province of Alberta's obligation for future additional contributions is $144 million.

The Province reports its obligation to the plan in its consolidated financial statements. The amount reported by the Province represents estimates of the present value of the Province's obligation for future additional contributions, including deferred adjustments.

(b) Sensitivity of Changes in Major Assumptions

The plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the plan.

Note 8
Accrued Pension Liability (continued)
(b) Sensitivity of Changes in Major Assumptions (continued)

	Changes in Assumptions %	Sensitivities: Increase in Plan Deficiency ($ millions)	Sensitivities: Increase in Current Service Cost as % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 108.2	0.9%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	39.0	0.8%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	248.6	3.0%

* The current service cost as % of pensionable earnings as determined by the December 31, 2000 valuation is 14.19%

Note 9
Remuneration of Board Members

Remuneration rates as approved by the Lieutenant Governor in Council are as follows:

	Chairman	Members
Remuneration Rates effective April 1, 2000		
Up to 4 hours	$ 146	$ 108
4 to 8 hours	249	179
Over 8 hours	395	281

	2000	1999
During the year, the following amounts were paid:		
Remuneration		
Chairman	$ 2,977	$ 5,771
Members (8)	24,877	37,101
Travel expenses		
Chairman	1,286	1,741
Members (8)	19,547	26,681

Board members are paid only for attending and preparing for board and committee meetings. Preparation time for a meeting is remunerated at no more than 4 hours. Remuneration with respect to the board member nominated by the Government of Alberta belongs to the Crown and is paid to the Provincial Treasurer.

Note 10
Budget Information

The accrued pension liability is based on the Universities Academic Pension Board's best estimates of future events after consultation with the plan's actuary. Differences between actual results and the Board's expectations are disclosed as net experience gains or losses in the statement of changes in accrued pension liability. Accordingly, a budget is not included in these financial statements.

Note 11
Subsequent Events

On December 31, 2000, the plan ceased to operate as a statutory plan governed by the *Public Sector Pension Plans Act.* On January 1, 2001, it continued as a new plan under the *Employment Pension Plans Act.* In accordance with section 18(1) of Schedule 3 to the *Public Sector Pension Plans (Legislative Provisions) Regulation (AR 365/93),* an initial transfer of 90% of the estimated apportioned assets of the old plan was made to the new plan in January 2001. The balance of the estimated apportioned assets will be transferred to the new plan in the second half of 2001.

The Province of Alberta will continue to be responsible for its share of the unfunded liability for pre-1992 service.

Schedule A

Schedule of Investments in Canadian Dollar Long Bond Pool (a)

December 31, 2000
($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,742	$ 1,742	$ 947	$ 947
Public Fixed Income Securities (b)				
Government of Canada direct and guaranteed	203,341	203,341	210,380	210,380
Other provincial, direct and guaranteed	186,080	186,080	136,329	136,329
Municipal	12,212	12,212	11,513	11,513
Corporate	90,561	90,561	73,906	73,906
Total deposit and fixed income securities	493,936	493,936	433,075	433,075
Receivable from sale of investments and accrued investment income	6,728	6,728	5,744	5,744
	$ 500,664	$ 500,664	$ 438,819	$ 438,819

(a) The Canadian Dollar Long Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Long Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 2000 had an average effective market yield of 6.11% per annum (1999: 6.65%). The following term structure of these securities as at December 31, 2000 is based on principal amount.

	2000 %	1999 %
0 to 5 years	-	2
5 to 10 years	3	2
10 to 20 years	29	28
over 20 years	68	68
	100	100

SCHEDULE B

SCHEDULE OF INVESTMENTS IN DOMESTIC PASSIVE EQUITY POOLED FUND (a)

December 31, 2000
($ thousands)

	2000		1999	
	PLAN'S SHARE	TOTAL POOL	PLAN'S SHARE	TOTAL POOL
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,732	$ 14,943	$ 6,402	$ 57,310
Short-term securities	1,044	9,008	1,001	8,960
Floating Rate Note Pool	114,852	990,705	92,698	829,873
	117,628	1,014,656	100,101	896,143
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	6,714	57,918	12,266	109,805
Conglomerates	4,887	42,159	4,992	44,694
Consumer products	7,153	61,698	8,426	75,435
Financial services	18,839	162,503	22,237	199,073
Gold and precious minerals	4,061	35,030	5,615	50,268
Industrial products	47,104	406,317	52,547	470,418
Merchandising	5,148	44,403	5,590	50,047
Metals and minerals	4,627	39,917	6,100	54,609
Oil and gas	16,450	141,899	15,128	135,433
Paper and forest products	2,686	23,171	5,356	47,950
Pipelines	2,830	24,411	2,331	20,865
Real estate and construction	2,042	17,612	3,529	31,596
Transportation and environmental services	2,043	17,627	2,545	22,781
Utilities	5,331	45,981	23,251	208,154
	129,915	1,120,646	169,913	1,521,128
Passive index	19,236	165,926	470	4,210
	149,151	1,286,572	170,383	1,525,338
Receivable from sale of investments and accrued investment income	174	1,499	12,033	107,720
Liabilities for investment purchases	(4,085)	(35,234)	-	-
	(3,911)	(33,735)	12,033	107,720
	$ 262,868	$ 2,267,493	$ 282,517	$ 2,529,201

(a) The Domestic Passive Equity Pooled Fund is comprised of a passive investment portfolio [illegible] replicating the Toronto Stock Exchange (TSE) 300 Index. The Fund [illegible] investments replicating the TSE 300 Index.

(b) [illegible]

SCHEDULE A

SCHEDULE OF INVESTMENTS IN CANADIAN DOLLAR LONG BOND POOL (a)

December 31, 2000
($ thousands)

	2000		1999	
	PLAN'S SHARE	TOTAL POOL	PLAN'S SHARE	TOTAL POOL
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,742	$ 1,742	$ 947	$ 947
Public Fixed Income Securities (b)				
Government of Canada direct and guaranteed	203,341	203,341	210,380	210,380
Other provincial, direct and guaranteed	186,080	186,080	136,329	136,329
Municipal	12,212	12,212	11,513	11,513
Corporate	90,561	90,561	73,906	73,906
Total deposit and fixed income securities	493,936	493,936	433,075	433,075
Receivable from sale of investments and accrued investment income	6,728	6,728	5,744	5,744
	$ 500,664	**$ 500,664**	**$ 438,819**	**$ 438,819**

(a) The Canadian Dollar Long Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Markets Long Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(b) Fixed income securities held as at December 31, 2000 had an average effective market yield of 6.11% per annum (1999: 6.65%). The following term structure of these securities as at December 31, 2000 is based on principal amount.

	2000 %	1999
0 to 5 years	-	2
5 to 10 years	3	2
10 to 20 years	29	28
over 20 years	68	68
	100	100

Schedule B

Schedule of Investments in Domestic Passive Equity Pooled Fund (a)

December 31, 2000
($ thousands)

	2000		1999	
	Plan's Share	Total Pool	Plan's Share	Total Pool
Deposit in the Consolidated Cash Investment Trust Fund	$ 1,732	$ 14,943	$ 6,402	$ 57,310
Short-term securities	1,044	9,008	1,001	8,960
Floating Rate Note Pool	114,852	990,705	92,698	829,873
	117,628	1,014,656	100,101	896,143
Canadian Public Equities (b):				
Common shares and rights:				
Communications and media	6,714	57,918	12,266	109,805
Conglomerates	4,887	42,159	4,992	44,694
Consumer products	7,153	61,698	8,426	75,435
Financial services	18,839	162,503	22,237	199,073
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Industrial products	47,104	406,317	52,547	470,418
Merchandising	5,148	44,403	5,590	50,047
Metals and minerals	4,627	39,917	6,100	54,609
Oil and gas	16,450	141,899	15,128	135,433
Paper and forest products	2,686	23,171	5,356	47,950
Pipelines	2,830	24,411	2,331	20,865
Real estate and construction	2,042	17,612	3,529	31,596
Transportation and environmental services	2,043	17,627	2,545	22,781
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Passive index	19,236	165,926	470	4,210
	149,151	1,286,572	170,383	1,525,338
Receivable from sale of investments and accrued investment income	174	1,499	12,033	107,720
Liabilities for investment purchases	(4,085)	(35,234)	-	-
	(3,911)	(33,735)	12,033	107,720
	$ 262,868	**$ 2,267,493**	**$ 282,517**	**$ 2,529,201**

(a) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 300 Index.

(b) The industrial classifications are those used by the Toronto Stock Exchange.

SCHEDULE C

SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND (a) (b)

December 31, 2000
($ thousands)

	External Manager		2000		1999	
	2000	1999	Plan's Share	Total Pool	Plan's Share	Total Pool
Foreign Public Equity Pools						
Multi Region	4	3	$ 65,120	$ 2,013,072	$ 54,599	$ 919,706
Europe	3	3	76,030	1,377,161	70,430	1,018,169
Pacific Basin	2	2	41,527	584,819	61,181	882,206
Emerging Markets	2	2	40,399	40,506	14,889	76,055
	11	10	223,076	4,015,558	201,099	2,896,136
United States	6	5	136,430	3,147,608	102,430	1,518,742
Canadian Public Equity Pools						
Large Cap	3	3	94,271	1,200,300	91,084	1,055,108
Small Cap	4	5	51,845	478,145	42,594	466,572
	7	8	146,116	1,678,445	133,678	1,521,680
	24	23	$ 505,622	$ 8,841,611	$ 437,207	$ 5,936,558

(a) The External Managers Fund is comprised of numerous portfolios of publicly traded equities, which are managed by numerous external managers with expertise in Canadian and approved foreign equity markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor's and Toronto Stock Exchange indices over a four-year period. Risk is reduced through manager, style and market diversification.

(b) The following is a summary of assets and liabilities of the External Managers Fund as at December 31, 2000:

	2000	1999
	($ thousands)	
Cash and short-term securities	$ 103,216	$ 97,347
Receivables from sale of investments and accrued investment income	32,354	8,418
Investments		
Public equities	8,744,311	5,839,208
Convertible bonds	60	1,500
Liability for investment purchases	(38,330)	(9,915)
	$ 8,841,611	$ 5,936,558

Schedule D

Schedule of Investment Returns

Year ended December 31, 2000

The plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the plan for the one- and five-year periods ended December 31, 2000 are as follows:

	One Year Return					5 Year
	2000	1999	1998	1997	1996	Compound Annualized Return
Time-weighted rates of return						
Short-term fixed income	5.7	5.1	5.2	4.0*	6.2	5.2
Scotia Capital Markets 91-Day T-Bill	5.5	4.7	4.7	3.2	5.0	4.6
Long-term fixed income	13.8	(2.3)	8.5	9.2	12.3	8.1
Scotia Capital Markets Universe Bond	10.2	(1.1)	9.2	9.6	12.3	7.9
Canadian equity	10.0	27.3	(3.5)	14.7	29.8	15.0
Toronto Stock Exchange 300 Index	7.4	31.7	(1.6)	15.0	28.4	15.5
Foreign equity	(10.1)	30.6	24.7	15.3	13.0	13.8
Morgan Stanley (MSCI) World	(10.2)	18.1	33.5	20.9	14.0	14.3
Real Estate **	n/a	n/a	12.8	20.7	6.4	n/a
Russell Canadian Property Index **	n/a	n/a	16.0	19.0	7.0	n/a
Overall	**5.9**	**15.7**	**7.5**	**12.4**	**16.1**	**11.4**
Policy Benchmark	4.6	13.4	9.1	13.6	18.6	11.8

* Restated in 2000.

** Real estate return is reported on a net basis after expenses, while the Russell Canadian Property Index reports return on a gross basis.

SCHEDULE C

SCHEDULE OF INVESTMENTS IN EXTERNAL MANAGERS FUND (a) (b)

December 31, 2000
($ thousands)

	External Manager		2000		1999	
	2000	1999	Plan's Share	Total Pool	Plan's Share	Total Pool
Foreign Public Equity Pools						
Multi Region	4	3	$ 65,120	$ 2,013,072	$ 54,599	$ 919,706
Europe	3	3	76,030	1,377,161	70,430	1,018,169
Pacific Basin	2	2	41,527	584,819	61,181	882,206
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	11	10	223,076	4,015,558	201,099	2,896,136
United States	6	5	136,430	3,147,608	102,430	1,518,742
Canadian Public Equity Pools						
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Small Cap	4	5	51,845	478,145	42,594	466,572
	7	8	146,116	1,678,445	133,678	1,521,680
	24	23	$ 505,622	$ 8,841,611	$ 437,207	$ 5,936,558

(a) The External Managers Fund is comprised of numerous portfolios of publicly traded equities, which are managed by numerous external managers with expertise in Canadian and approved foreign equity markets. The objective of the Fund is to provide investment returns higher than the total return of the applicable Morgan Stanley Capital International, Standard & Poor's and Toronto Stock Exchange indices over a four-year period. Risk is reduced through manager, style and market diversification.

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	2000	1999
	($ thousands)	
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Investments		
Public equities	8,744,311	5,839,208
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Schedule D
Schedule of Investment Returns

Year ended December 31, 2000

The plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

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Investment returns and the relevant benchmarks for the plan for the one- and five-year periods ended December 31, 2000 are as follows:

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	2000	1999	1998	1997	1996	Compound Annualized Return
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Long-term fixed income	13.8	(2.3)	8.5	9.2	12.3	8.1
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Canadian equity	10.0	27.3	(3.5)	14.7	29.8	15.0
Toronto Stock Exchange 300 Index	7.4	31.7	(1.6)	15.0	28.4	15.5
Foreign equity	(10.1)	30.6	24.7	15.3	13.0	13.8
Morgan Stanley (MSCI) World	(10.2)	18.1	33.5	20.9	14.0	14.3
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Russell Canadian Property Index **	n/a	n/a	16.0	19.0	7.0	n/a
Overall	**5.9**	**15.7**	**7.5**	**12.4**	**16.1**	**11.4**
Policy Benchmark	4.6	13.4	9.1	13.6	18.6	11.8

* Restated in 2000.

** Real estate return is reported on a net basis after expenses, while the Russell Canadian Property Index reports return on a gross basis.

Glossary

TERMS

Active management
These strategies have two forms – security selection or market timing. Security selection is the buying and selling of particular securities to earn a return above a market index such as the TSE 300 for Canadian stocks. Market timing refers to changing asset class weights to earn a return above what would be available from maintaining the asset class's weight in the policy asset mix.

Active member
A member who is making contributions or, if not making contributions, is on non-contributory leave, on approved disability leave, or has maximum pensionable service (35 years).

Asset mix
The percentage of a plan's assets allocated to the major asset classes (for example, 40% fixed income and 60% equities).

Benchmark
A standard such as the TSE 300, against which performance is measured. For the purposes of this report, benchmarks are established income indices (listed in percentages) used to measure the health of the Fund's investment returns.

Bond
A promissory note issued by a company or government which bears a fixed maturity date and rate of return.

Deferred member
A member who is no longer employed by a Plan employer, has left his/her contributions in the Plan, and has deferred a right to a pension.

Emerging market
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

Equity
Stock; the ownership interest in a company.

External manager
A third-party firm contracted to provide investment management services.

Large cap
Investment in larger capitalized firms. Within Canada, companies with a market capitalization of greater than 0.15% of the total Toronto Stock Exchange market capitalization.

Passive management
These strategies involve investing to replicate the performance of a given market index such as the TSE 300 for Canadian stocks.

Policy benchmark
A return for the Fund which is composed from the long-term asset mix policy and the benchmark indices for each major asset class.

Real return bond
A fixed-income investment product (a bond) whose return is linked to the real interest rate to generate a specified real rate of return.

Related terms: The real interest rate is the nominal (set) interest rate minus inflation. The real rate of return is the return achieved by an asset after adjustments for inflation.

Small cap
Investment in smaller capitalized firms. Within Canada, companies with a market capitalization of less than 0.15% of the total Toronto Stock Exchange market capitalization.

Statement of Investment Policies and Goals
A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

Swaps (Structured Investments)
A contract between two parties to pay the other party the return on an underlying investment.

T-bill
Short-term government security.

Total return
Interest income plus price increases or decreases.

Unfunded liability
An unfunded liability exists when the actuarial valuation determines that the Fund's accrued liabilities exceed the net assets available for the payment of benefits.

Glossary

INDICES

Consumer Price Index (CPI)

Measures the relative prices at various times of a selected basket of goods and services.

Morgan Stanley Capital International World Index (MSCI)

Measures the total return attributable to the largest capitalized companies on the world's major stock exchanges. Maintained by Morgan Stanley, the index is compiled and reported monthly in local and common currencies.

Russell Canadian Property Index

Measures the total return attributable to Canadian commercial real estate. Maintained by Frank Russell, the index is compiled and reported every three months.

Scotia Capital Markets 91-Day T-Bill Index

Measures the total return attributable to 91-Day T-Bills. Maintained by ScotiaMcLeod.

Scotia Capital Markets Long Bond Index

Measures the total return attributable to bonds. Maintained by ScotiaMcLeod and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB).

Scotia Capital Markets Universe Bond Index

Measures the total return attributable to bonds. Maintained by ScotiaMcLeod and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB), and term (short-, mid-, and long-).

SEI Median Manager

A reference point for measuring performance. SEI Canada Financial Service Limited conducts surveys of balanced fund managers on a quarterly basis to create the SEI Universe. From this, SEI Canada determines the median (or middle-ranked) manager.

Related Terms: SEI (Canada) Financial Services Limited is an independent firm that evaluates and reports on investment performance. A balanced fund is an investment portfolio with a mix of bonds, preferred stocks, and common stocks designed to conserve the investor's initial principal, pay current income, and achieve long-term growth.

Standard & Poor's 500 Index

Measures the total return attributable to the 500 largest capitalized companies on U.S. stock exchanges.

Toronto Stock Exchange (TSE 300) Index

Measures the total return attributable to the 300 largest capitalized companies traded on the Toronto Stock Exchange. Maintained by the Toronto Stock Exchange, the index is compiled and reported on a daily basis. The index's composition is adjusted annually.

Directory – 2001

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Alberta Pensions Administration
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Actuary
William M. Mercer Limited

Auditor
Auditor General of Alberta

Back row: (left to right) *Auke Elzinga, Dan Furgason, Lloyd Malin, Art Nutt, Ted Horbulyk, Virendra Gupta*

Front row: *Mary Hamilton, Ron Bercov, Mary Hofstetter*

Missing: *Keith Winter*